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DIRECTORATE OF
INTELLIGENCE

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FAR EAST

Laos: *A Muted Call to Arms*

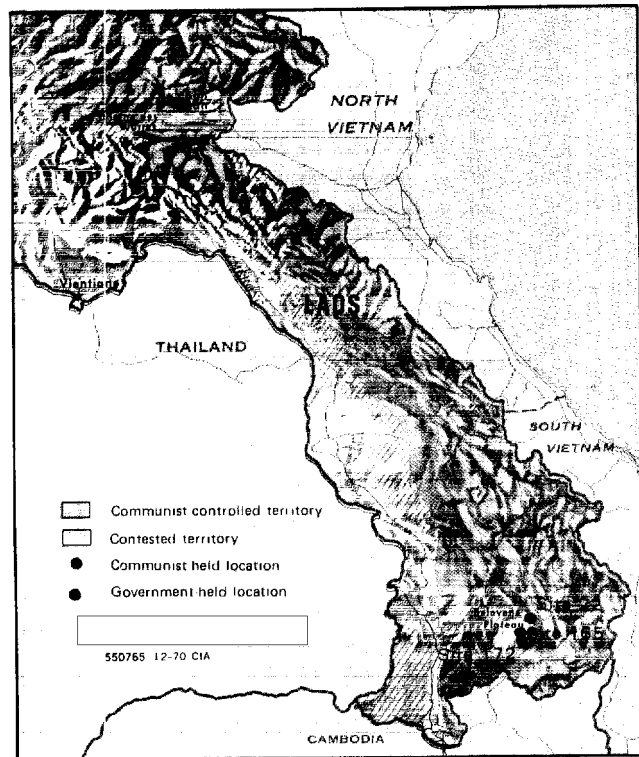
Lao Communists have issued a hortatory message on the 1970-71 dry-season military campaign that has a pronounced defensive tone. The message cites "difficulties" created by the enemy and urges Communist forces to counter the enemy's schemes to attack and destroy the "liberated areas" and to smash "nibbling attacks." Such defensive terminology has been common in recent years, and this year's call to the troops once again fails to mention offensive operations to expand the "liberated areas" or to hold out any promise of an early end to the struggle in Laos. Such propaganda statements fall far short of being reliable indicators of Communist intentions, but the recent message suggests that the fundamentally defensive strategy will hold intact over the next few months, although enemy offensives in south Laos and possibly in the north as well may be forthcoming.

The Communists so far have been thwarted in their efforts to gain control of the Bolovens Plateau in order to forestall government forays eastward or to open a major westerly infiltration route into Cambodia. Fighting flared on the plateau again last weekend, however. Two battalions of government irregulars were forced to withdraw from Site 172 on the southeastern rim of the plateau on 25 December. Sharp Communist probes were repulsed at Sites 165 and 22; the latter is the last major government base in the eastern portion of the plateau.

Recent southward deployments of the 9th North Vietnamese Army Regiment into the Bolovens area indicates that a more concerted drive to take at least the eastern portion of the plateau is still a good possibility. At a minimum, continued Communist pressure there makes it difficult for the government to use its positions on the plateau to launch intelligence operations or

harassing raids eastward into the main Communist infiltration corridor.

In north Laos, there has been no significant change in the tactical situation near the Plaine des Jarres. The government operation against the Communist supply center at Ban Ban continues to make little progress, although government troops have destroyed several supply caches. The slow going still appears to be a consequence of bad weather rather than of stiffened enemy resistance. The Communists evidently continue to rely on North Vietnamese and Pathet Lao troops already in the Ban Ban area to parry the government drive.



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COMMUNIST CHINA: Peking is becoming increasingly vocal on the issue of oil exploration in the East China Sea. Following up its initial statement of 3 December, Peking has twice in the past week charged the US and Japan with violating China's sovereignty by searching for oil deposits and reiterated its claim to the Senkakus and other islands in the area. An authoritative *People's Daily* statement on 29 December has warned that China has the sole right to exploit its seabed and subsoil resources and would defend its territory

against US and Japanese "plundering." The article added that such agreements concluded by Taipei with any country, organization, or enterprise are illegal, null, and void. The Chinese had remained silent on this issue until Taipei, Tokyo, and Seoul joined in an unofficial joint development committee in mid-November. Peking seems determined both to make clear to the US and Japan that its claim cannot be ignored and to forestall the exploitation of any deposits found. [REDACTED]

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Cambodia: *The Economic Strains of War*

Sustained Communist pressure against several of the country's key lines of communication, particularly Routes 4 and 5, continues to present the government with increasingly serious military and economic problems.

The enemy again retained the initiative along much of Route 4 during the week, striking hard at government positions on the road south of the Pich Nil pass. Heavily armed Communist troops gained control of the junction of Routes 4 and 18, thereby cutting off the town of Kompong Seila. South of that junction, the enemy also captured a bridge near Veal Renh. In addition, Communist harassing attacks kept Cambodian soldiers pinned down on Route 4, east of the Pich Nil pass.

The interdiction of Route 4 has disrupted Phnom Penh's supply of petroleum products from its refinery at Kompong Som. Major oil companies are assisting the Cambodians in arranging for stopgap shipments from stocks in Saigon. Despite the usual bureaucratic snarls, Phnom Penh's most critical needs are being met. Civilian consumers, however, are feeling the pinch, espe-

cially for kerosene—widely used for cooking—and motor gas.

Growing enemy harassment along Route 5 and the adjacent Battambang railroad continues to threaten the flow of rice from Battambang Province to Phnom Penh. Cambodian positions along Route 5 between Pursat and Battambang cities have been attacked recently. The government has reacted to this upsurge of enemy activity in the west by deploying five battalions north of Battambang city to block the movement of Communist troops into the area from the east and to secure Routes 5 and 6 in the Battambang — Siem Reap provincial border area.

The Communists' road and rail interdictions in this region will add to the difficulties the government has had in harvesting and marketing what promised to be a bumper rice crop. In the major rice-producing province of Battambang, for example, growing insecurity and Cambodian Army recruiting have cut sharply into the seasonal influx of labor needed for harvesting. Moreover, the inability to move rice to Phnom Penh has left warehouses nearly full of last year's surpluses.

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Because of these problems, the government may be forced to default on its export commitments, which would lead to the loss of foreign exchange. Schemes to devise workable alternatives to sending rice out through the isolated main port of Kompong Som have not yet materialized, despite offers from the Thai Government and some private concerns to help out.

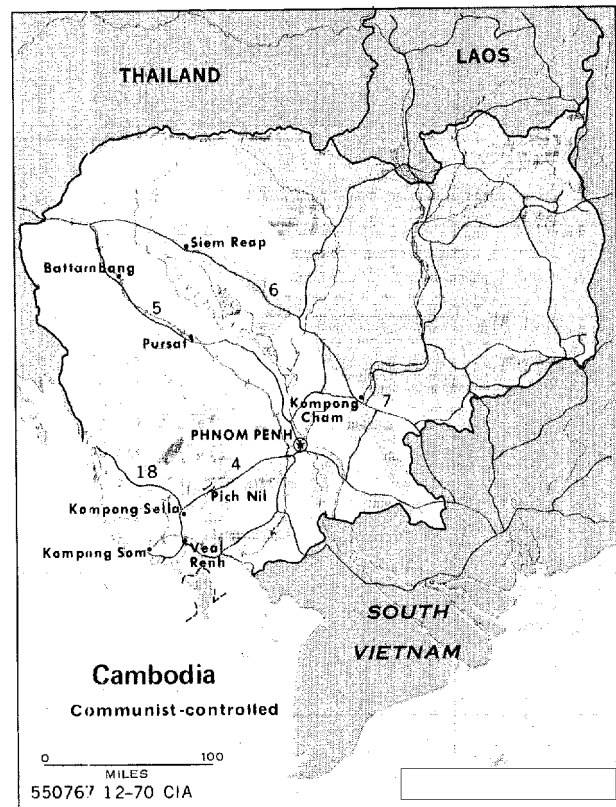
East of Phnom Penh meanwhile, the South Vietnamese Army task force that led the recent drive to reopen Route 7 west of Kompong Cham city has returned to South Vietnam. Predictably, these troops made little contact with evasive Communist main-force units during the operation, not only along Route 7 itself but also in areas north of the road. With their departure, the job of keeping Route 7 clear reverts to the Cambodians, who previously were unequal to the task.

Vietnam: *Holiday Slowdown*

Communist military activity picked up between the holiday cease-fire periods. The Communists are expected, however, to abide generally by their self-imposed, three-day New Year cease-fire as they did during their Christmas standdown. There were the usual minor violations, although fewer in number than in any of the five previous Christmas truce periods. For the second consecutive year, no Americans were killed during the 24-hour allied standdown. The Communists began their New Year cease-fire period at noon on 30 December (Washington time), and the 24-hour allied truce began early on 31 December (Washington time).

Land Reform Progresses Slowly

The South Vietnamese Government finally has begun to distribute appreciable amounts of



land to the farmers under the land-reform program enacted last March. The acreage transferred so far is small, however, and even this modest progress may be slowed within a few months.

Of the 2.5-million acres of land slated for eventual transfer to over a half million new owners, less than three percent had been authorized to be turned over to about 17,000 farmers by the end of November. There appears to be a considerable time lag, however, between issuance of the titles in Saigon and their actual distribution to farmers tilling the land in the provinces. The limited information available indicates that only a part of this 17,000 had their titles in hand by early December.

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During the first months after the law was enacted, the government had to train many local officials to help process title applications and had to develop its bureaucracy in Saigon to deal with land reform. The first new titles were not distributed until the end of August, but over two thirds of the acreage was transferred during November. This new momentum may be sustained for several months as additional undisputed applications are processed, but a backlog of contested claims is building up and the current modest rate of distribution may again be slowed down.

President Thieu is considering creating a new ministry especially designed to speed up land reform. Once established, such a specialized ministry might be able to expedite the transfer process, but additional delays would be almost inevitable while it is being organized. Such a delay in the name of faster action could be useful to Thieu. He stands to win some voter support in the upcoming presidential elections as the champion of land reform, but he would prefer not to alienate the many politically powerful landlords by pressing them at the very time he needs their financial support and help to get out the vote.

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Communist China: *Militarizing the Bureaucracy*

China's refurbished central government hierarchy appears to be taking on a heavier military cast. In recent weeks two relatively junior army officers have been given ministerial portfolios, and a number of other military men have been placed in ministerial posts in several key areas, including the Ministry of Foreign Affairs. Staffing the post - Cultural Revolution government apparatus has been one of the most controversial issues in Peking, and the slow pace of personnel selection probably is due in part to divisions within the leadership over the precise extent of the army's future participation in government affairs. How much final decision-making authority will rest with the military in the various central organs is still an open question. In all likelihood, a mixed picture will emerge, with some ministries headed by rehabilitated veteran civilian bureaucrats and others by nonspecialist military administrators.

Based on the appointments disclosed thus far, it seems safe to predict that no civil government agency will be entirely free of military influence. The assignment of army men to top posts suggests that, at the least, they are intended to serve as political watchdogs over the performance of the returning civilian administrators and technicians whose expertise is sorely needed in the regime's reconstruction efforts. The army undertook a somewhat similar monitoring role in a number of government organs in the early 1960s but not nearly on so extensive a scale as has emerged in recent years.

Perhaps the most striking feature of the current military appointees is their apparent lack of specialized experience. The new minister of foreign trade, for example, as recently as 1968 was serving as a political commissar in a field army in south China, and the new minister of agriculture

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and forestry had been a relatively obscure officer in the Armored Corps. Furthermore, the practical civil experience of one of the new military men recently introduced into a senior position in the Ministry of Foreign Affairs is limited to a short stint as an administrator in Shantung Province.

Within most, if not all, of China's ministries, day-to-day operational responsibilities will probably still be largely in the hands of veteran civilian cadre—many of whom were attacked during the Cultural Revolution for failure to respond to Maoist directives. The insertion of inexperienced but supposedly politically reliable military cadre into leadership positions is one method by which Peking hopes to overcome the tendency of technical specialists to balk at the regime's incessant

exhortations to show more "revolutionary" enthusiasm in implementing reconstruction policies.

The willingness of such veteran cadre to work in harness with their military overseers obviously will have an important bearing on the regime's progress in restoring an effective central hierarchy, but the longer term effect on the military establishment is more difficult to assess. It seems likely that these additional administrative chores will exacerbate strains within the military leadership that almost certainly have developed because of the armed forces' already deep involvement in nearly every phase of provincial party and government affairs.

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China's Foreign Trade Reaches Peak Levels in 1970

Peking's foreign trade increased during 1970 for the second straight year following the low levels recorded during the Cultural Revolution of 1966-68. Preliminary returns show a rise of nearly ten percent, with trade approaching the record \$4.3 billion achieved in 1959.

The free world accounts for about 80 percent of China's foreign trade. Peking's decree of last April curtailing trade with Japanese subsidiaries of US firms and Japanese firms that conduct business with Taiwan and South Korea apparently had no appreciable impact on Sino-Japanese trade, indicating that economic recovery took priority over politics in this instance. Japan further strengthened its position as Peking's leading trading partner, and a new high of more than \$800 million probably was reached. China's trade with Western Europe also appears to have increased slightly above the 1969 level, largely because of the apparent growth in trade with France and West Germany.

After a conspicuous improvement in China's balance-of-payments position vis-a-vis the free world in 1969, substantial increases in imports of steel, fertilizer, and other raw materials caused a small deficit in 1970. Initial reports from the autumn trade fair in Canton indicate that the Chinese pushed sales and moderated purchases somewhat, suggesting that Peking does not want the trade imbalance to continue for an extended period. Inquiries directed during the fair to several Western countries about the purchase of two steel-rolling mills, a fertilizer plant, and a chemical plant, however, could signify the beginning of a policy to import more whole industrial plants rather than attempt to produce them domestically.

China's grain purchases in 1970 increased about ten percent to \$290 million for 4.6-million tons of wheat. Canada and Australia each supplied almost half this amount, with smaller quantities coming from France. A new wheat

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agreement with Canada calls for delivery by the end of 1971 of 2.5-million tons valued at \$160 million. China's own wheat harvest this year was good, and Canberra, which has not yet signed a new contract, may find itself supplying smaller quantities in 1971.

Peking's trade with Eastern Europe may have increased by some ten percent, and its trade

with North Korea and Albania also appears to have surpassed 1969 levels. The first trade agreement with the USSR in three years was concluded on 23 November and covered both trade conducted in 1970 as well as projected trade in 1971. Sino-Soviet trade for 1970 probably will approximate 1969's all-time low level of \$56 million, but trade in 1971 is slated to be about double that amount.

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EUROPE

Poland: *New Leaders Begin Reconciliation*

With the return of uneasy calm to the country over Christmas, Poland's new party and government leaders have concentrated on attempting to conciliate and establish rapport with the workers, while stressing the continuity of key domestic and foreign policies. Although many workers remain suspicious and recalcitrant, the general mood of the people appears to be hopeful that the leadership changes augur a beneficial shake-up in the atrophied bureaucracy and the creation of improved channels of communication between the rulers and the ruled, as promised by new party leader Gierek.

In his maiden speech to parliament on 23 December, newly appointed Premier Jaroszewicz echoed Gierek in stressing economic relief, moderation, compromise, and a new style of citizen participation in government. He held out an open hand to all—youth, cultural groups, and, possibly most important, the Roman Catholic Church and the peasantry. He implicitly gave Polish peasants to understand that predominantly private ownership of agricultural land will continue. For his part, Poland's Cardinal Wyszynski responded positively from the pulpit to Jaroszewicz's call for a "full normalization" of church-state relations.

The party's promised self-examination apparently has begun in the trade union area, with self-criticism and a new commitment to workers' interests. There are no signs that it intends to lose control over labor, however. For example, in the Baltic area, workers were warned that those not returning to their jobs by 28 December would be dismissed.

Moscow has continued scrupulously to avoid any overt interference in the situation, and press comment on the new Polish leaders continues to be favorable. There is no evidence that Brezhnev or other Soviet leaders were in Poland during the period of crisis, despite flourishing rumors to the contrary. An early meeting between the two leaderships, however, is expected.

While stressing loyalty to Moscow, the Polish press is emphasizing—in the words of an authoritative Warsaw daily on 27 December—that "Poland's ties with the Soviet Union and the Eastern bloc do not necessarily have to have an anti-German edge." On 23 December the new Warsaw leadership officially assured Bonn that it will "speed up the process of normalization" with the Federal Republic.

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Polish Leadership Faces Continuing Economic Difficulties

The immediate cause of the riots in Poland that led to Gomulka's replacement was the sweeping revision of the retail price structure announced on 12 December. Other causes of dissatisfaction, however, included conditions that had been building up for several years.

The December outbreak occurred among the shipyard workers, whose wages are well above the national average. These members of the urban work elite expected their supplies of food—particularly meat, potatoes, and vodka—to be maintained, if not increased.

The sharp price hikes covered two major categories of consumer goods—food and fuels—as well as building materials, cottons, and textiles. Substantial reductions in prices of many industrial consumer goods were announced simultaneously, as were some adjustments in family allowances. According to official claims, these measures will mean only a temporary two-percent loss in real income, even for the poorest laborers. But most workers were not interested in acquiring more clothes and durables if they could not also at least maintain meat consumption.

Gomulka's regime had given a high priority to raising the food consumption of urban workers in 1956, and living conditions had improved markedly. Food consumption growth had tapered off by the mid-1960s and there has been almost no net increase since. During the late 1960s, the government tried to maintain food exports and consumption at about the same level, although output was leveling off and demand was rising.

When meat procurement dropped in the summer of 1970, Polish workers, who eat as much as do those in many West European countries, anticipated shortages and indulged in precautionary buying. With the approach of the Christmas season, grumbling and small protests increased in intensity and spread to major cities throughout the country.

The leadership, aware that declining meat production in 1970 would continue through at

least mid-1971, had to decide quickly whether to order substantial amounts of pork on the world market—for hard currency—or to raise prices substantially for the second time in three years. The usually prudent Gomulka could have put off a decision until the new year by importing extra meat, or could have strung out the price changes, but he decided instead to raise prices immediately.

The Gierek regime inherits an economy that has provided plenty to eat for all but the poorest families, although in other respects, particularly housing, it has provided little beyond the necessities of life. Jobs have been easy to get and wages have gone up almost automatically. Wage reforms introduced last year tightened employment, threatened workers' take-home pay, and reduced overtime pay, which wage earners had taken for granted. Pressure also had probably begun to improve the traditionally slack labor discipline. If the new leaders persist in these reforms, they may be faced with new unrest.

The new regime so far has adopted a position toward the workers that is both firm and conciliatory. It has announced that the new prices will not be rescinded but will be frozen for two years. Gierek also has taken some immediate steps to correct the most blatant inequities and to review economic policies. The regime no doubt will try to ensure minimum supplies for everyone this winter, if necessary by informal rationing and some imports.

Beyond trying to avoid future confrontations with workers, Gierek will be unable to do much to improve their lot. The long-term problem is one of getting conservative workers to accept that they must pay more rational prices for consumer goods and services, as well as methods of compensation that place more emphasis on increases in productivity and reduction in costs. Unlike Gomulka, Gierek understands economic principles and, as an experienced administrator, he will put even more stress on modernization and rationalization of Polish planning and management.

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Czechoslovak Communists Pass Soviet Muster

A Soviet party delegation last week ended a nine-day tour of Czechoslovakia, Moscow's most thorough on-the-scene scrutiny of that country since party leader Gustav Husak took office in April 1969. Led by Soviet party ideologist Petr Demichev, the ten-man delegation consulted with leading party and government figures in Prague on the regime's progress in stabilizing the internal situation and normalizing relations with the Soviet Union and its allies.

The delegation also made an extensive inspection tour of regional and local party and administrative organizations to see for themselves whether the Czechoslovak Communist Party is in firm control of the situation, whether policies are consistent with Soviet desires, and whether factional, economic, and other potentially disruptive problems are receiving proper attention.

The Soviets apparently were encouraged by what they saw. Upon his departure, Demichev expressed his satisfaction that under Husak's

leadership "collaboration" between the two countries had been restored. Demichev pointed out, however, that trouble spots remained, citing coordination on ideological matters and "foreign policy propaganda" as fields where bilateral relations needed improvement.

The Demichev visit, which followed on the heels of the recently concluded Czechoslovak party central committee plenum, underlined Soviet concern over what transpired at that session. One of the principal items on the plenum's agenda was the Husak regime's official definition of the "lessons" to be learned from the Dubcek and late Novotny periods. These "lessons," although not yet published, purportedly will serve as a model and a warning to other Communist regimes faced with potential reformist pressures. Demichev himself referred to the "international significance" of the Czechoslovak document, which presumably will be required ideological reading for other European Communist leaders.

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IAEA: *Safeguards Issues Persist*

Ten months after entry into force of the Nonproliferation Treaty (NPT), the treaty-designated enforcement entity, the International Atomic Energy Agency (IAEA), has not yet completed its plans for safeguards to prevent the diversion of fissionable material from peaceful uses. Talks resume in Vienna on 19 January. Outstanding are the question of financing inspections and the terms of an inspection agreement between IAEA and the EURATOM states.

In recent weeks, the special IAEA committee studying the issues apparently resolved key problems relating to the frequency and intensity of international inspections. The compromise worked out is a very delicate one, however, reflecting the concern of various nations that the

enforcement program could be misused for purposes of industrial espionage on new applications of peaceful nuclear technology.

Thirteen committee delegates from the less developed countries (LDCs) tentatively have decided to push a troublesome plan to finance the safeguards inspections. Their scheme—which could jeopardize the entire set of enforcement agreements—provides that only inspected states would be assessed for the cost of applying safeguards. It would thereby exempt nations without nuclear facilities as well as nations not adhering to the NPT.

Adoption of this plan would put an inordinate financial burden on the US and the UK,

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which have voluntarily offered to open certain of their nuclear plants to inspection. It could also make NPT ratification in key nations with advanced nuclear technology, especially West Germany and Japan, more difficult. France, which refuses to sign the NPT, has taken a position essentially the same as that of these LDCs.

France also is preventing agreement on the EURATOM position for safeguards negotiations

with the IAEA. Paris maintains that IAEA verification of EURATOM's inspection arrangements is not permissible under the EURATOM treaty. In fact, France hopes to secure some attenuation of its compliance with EURATOM safeguards in return for allowing an IAEA-EURATOM agreement to be made.

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YUGOSLAVIA-ROMANIA: Yugoslav Defense Minister Ljubicic paid an unexpected visit to Romania on 25-26 December. Billed in Bucharest as a "friendly working visit" at the invitation of his Romanian counterpart, General Ionita, Ljubicic's trip is part of the series of high-level Yugoslav-Romanian consultations that began after the Warsaw Pact occupation of Czechoslovakia in 1968. The suddenness and timing of the trip on

Christmas Day, however, as well as the fact that this was the first visit by a Yugoslav defense minister to Romania in four years, indicate that it may have been more than routine. One purpose could have been to hold new discussions about Romania's purchase of Yugoslav arms; Bucharest reportedly has been interested in such a deal for nearly a year.

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AUSTRIA-SWITZERLAND: Austrian Chancellor Kreisky's plan to reduce the length of compulsory military service from nine to six months has evoked a discordant reaction from neighboring neutral Switzerland. Interviews of several Swiss leaders in a Zurich weekly in late November left the impression that Bern fears that Kreisky in-

tends ultimately to have Austria assume the status of an unarmed neutral.

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NETHERLANDS: Battle lines are already being formed for next April's parliamentary elections. The opposition Labor Party announced on 23 December that it will not join any postelection coalition with the three religious parties, which are the nucleus of the present government, and will be the core of the next in the opinion of

most observers. By championing wage increases for inflation-ridden workers, the Labor Party hopes at best to spring an upset; at the least, still in an opposition role, it aspires to exert a liberalizing influence on a center-right government.

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Spain: *Political Influence of Military Increasing*

The original verdicts in the military trial of the 16 Basque nationalists [redacted]

[redacted] may be interpreted as a sign of at least a temporary augmentation of the military's influence in the Spanish Government. The trial of the nationalists for "banditry" and for the murder of the security police chief in San Sebastian has been a testing ground between hard-line and moderate elements in Spain. Amid a flurry of world-wide protest, Chief of State Franco reviewed the matter and reduced the death sentences to 30 years imprisonment.

The Basques, and especially the actions of the extremist Basque Nationalist Movement (ETA), have been a continuing problem for the Madrid government for many years, and an effort to deal a blow to the organization was inevitable. The case, however, became caught up in the struggle in Madrid over the question of whether to make the government's rule more liberal.

When Franco reshuffled his cabinet in October 1969, he appeared to be abandoning his long-standing policy of balancing off the Falange, the military, and Opus Dei against one another; Opus Dei, a Catholic faction often described as interested in economic liberalism, gained ascendancy.

During 1970, however, an unfolding machinery-export scandal involving several Opus Dei figures and the failure of the Opus Dei technocrats to solve pressing economic problems tarnished the group's reputation.

Franco did not reflect the change in Opus Dei's prestige with changes in the cabinet, and, when the military were saddled with the trial of the Basque nationalists this fall, they feared that Opus Dei might recoup by dissociating itself from the trial to gain popular credit for circumspection and leniency. Consequently, a group of military officers gave vent in a manifesto to its views that the government must back the trial as a unit. The military secured additional protection from criticism of their handling of the Basque dissidents in mid-December when adherents of the Falange and the military were able, against the wishes of the cabinet, to organize unexpectedly successful country-wide rallies supporting the Basque trial.

The stiff sentences incurred the extreme disfavor of Western countries at a time when the government is attempting to bring Spain into closer association with Western Europe. Franco's commutation of them will tend to mitigate this disapproval. [redacted]

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MIDDLE EAST - AFRICA

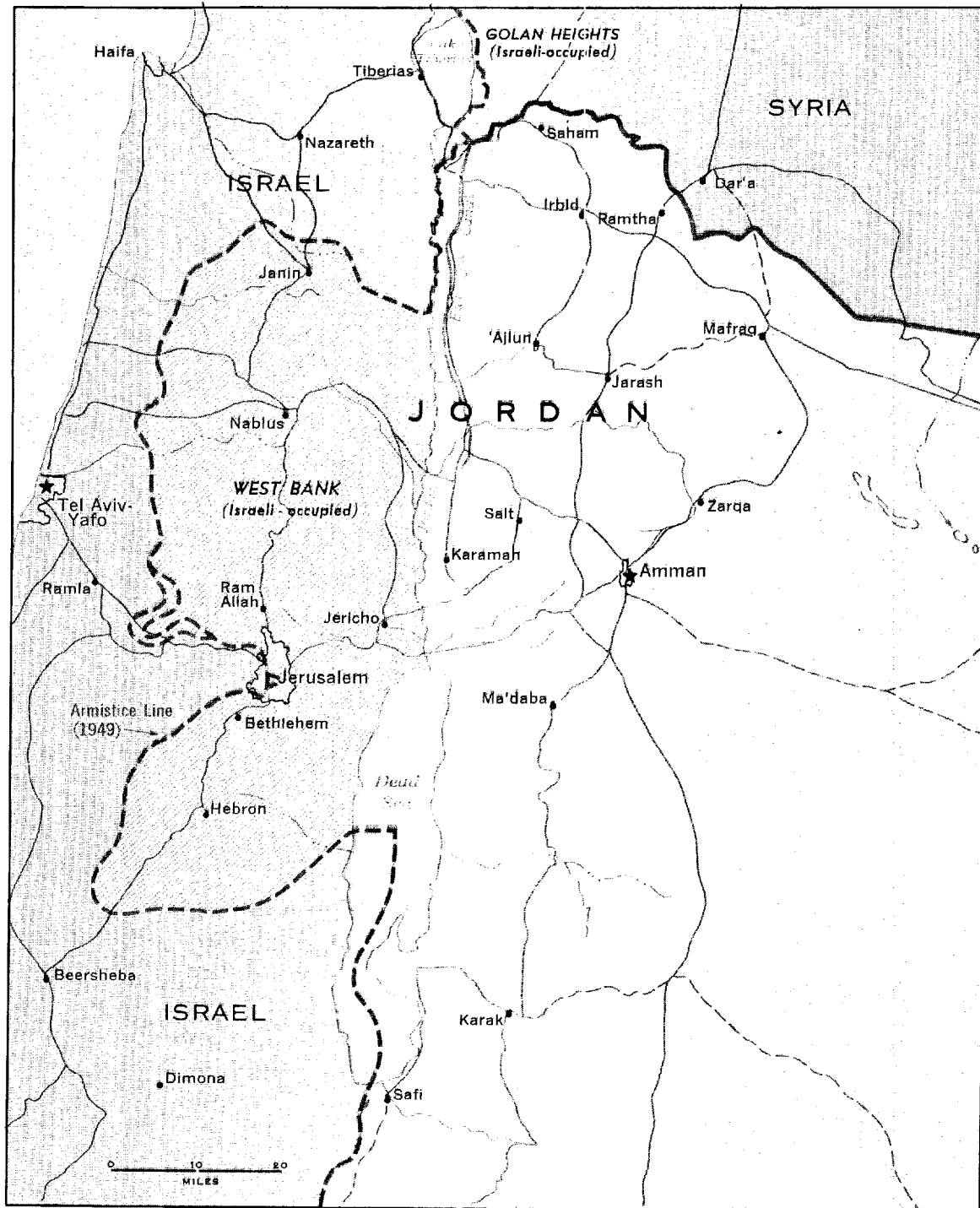
Middle East: *Potpourri*

UN Peace Talks to Resume

Israel this week announced its intention to return to the Jarring talks. The way was cleared for Tel Aviv's decision when the National Religious Party (NRP), the last holdout in the coal-

ition government, finally agreed to approve reopening the talks. The NRP announced that it had agreed to the return in order to avoid causing a government crisis, although it expressed regret that the original conditions Israel had demanded had not been met. Press reports claimed that

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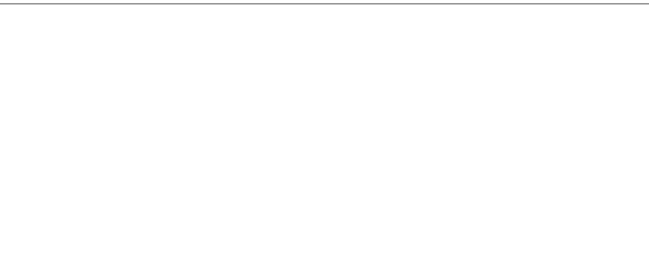


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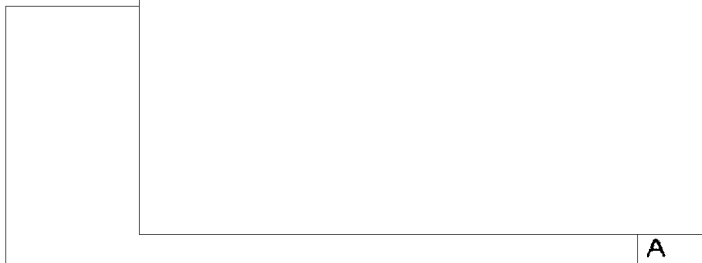
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pressure exerted on the NRP by Prime Minister Golda Meir and Defense Minister Moshe Dayan and assurances on the border question made by Mrs. Meir were responsible for the NRP agreement.



Egypt reacted to the Israeli move with skepticism.



A long and arduous debate on the principal issues—Israeli withdrawal, "secure and recognized" boundaries, the refugee problem, and the status of Jerusalem—seems assured, and the talks may well be interrupted by new fighting if they show no real progress.

Jordan: The Fedayeen Still under the Gun

The position of the fedayeen in Jordan has continued to worsen. Since the clash in Jarash between the Jordanian Army and the fedayeen on 7 December, most of the guerrilla units that had been in the city have had to camp out in wooded areas near Jarash and Ajlun. Facilities are said to be minimal, with food scarce and morale low. Defections and desertions have risen dramatically and, as cold, wet weather sets in, are expected to go even higher.

Elsewhere in Jordan most major urban areas have been cleared of fedayeen.

If the steady trickle of fedayeen from Irbid to Syria continues, it could clear that city before long, the Jordanian official believes. Although several entrenched enclaves of fedayeen are still in Amman, the army holds the high ground and is confident that the fedayeen positions could be wiped out without much difficulty.

The weakness of the fedayeen's military position—together with the absence of the restraining hand of the King, who remains in London—and the slowly dwindling Iraqi presence in Jordan could tempt the army to try for a quick and decisive cleanup of fedayeen concentrations in the north and possibly in Amman as well.

Elsewhere, the Fedayeen...

The fedayeen movement as a whole is in a state of disarray. Serious internal divisions within the Fatah leadership may be coming to a head. According to the Arabic press, a Fatah organizational congress has decided to relieve a number of as-yet-unnamed leaders of their posts. Yasir Arafat's policy decisions of the past several months—which include advocating the establishment of a truncated Palestinian entity—have come under attack from his associates.



The other large and more extreme fedayeen groups, Saiqa, the Popular Front for the Liberation of Palestine, and the Popular Democratic Front for the Liberation of Palestine, are also experiencing internal divisions. The disputes center largely on the question of whether actively to oppose Fatah's attempt to force a greater degree of coordination or unification in the fedayeen movement. Saiqa, furthermore, is undergoing a reorganization of its leadership as Syria's new strong man Prime Minister Asad seeks to assert his control over the organization.

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A high-level Egyptian delegation led by Vice President Ali Sabri concluded its visit to Moscow on 26 December, after what was likely a successful quest for further military assistance and economic aid as well as reassurance of firm Soviet support in impending negotiations and diplomatic maneuvers. The importance both sides attached to Sabri's visit is suggested by the fact that the top three Soviet leaders, as well as Defense Minister Grechko and Foreign Minister Gromyko, met with the Egyptians several times during their

week-long stay. The two sides undoubtedly discussed and coordinated diplomatic and military plans in anticipation of the expiration or breakdown of the cease-fire extension. The joint communiqué tried to convey the impression of "a full coincidence of views," but its omission of any reference to preconditions previously voiced by Cairo for further extending the cease-fire suggests Soviet caution and a desire to retain as much flexibility as possible. The publicized terms of an economic accord signed during the visit were couched primarily in terms of continuing arrangements. [REDACTED]

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GUINEA: President Toure's government is extending its crackdown on persons suspected of antiregime activities, while maintaining the state of armed vigilance that has prevailed since the Portuguese commando raid last month. West Germany's ambassador was recalled last week at Guinea's behest, and most if not all West German aid technicians were abruptly rounded up at gunpoint and expelled this week. The African archbishop of Conakry and a French couple, long-time residents, have been arrested.

Even the prearranged arrival of two Soviet destroyers and an oiler in Conakry on 24 December did not allay President Toure's fears of further Portuguese attacks. In fact, the Soviets themselves may have fallen victim to Toure's aroused suspicion of foreigners. Although the ships were originally reported to be planning a month's stay in Conakry, they were scheduled to depart on 30 December after being denied permission to conduct "hydrographic" tests—involving underwater explosions—in Guinean waters. [REDACTED]

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UPPER VOLTA: This impoverished West African country appears to be in for intense political maneuvering over the next few weeks. Factions of the African Democratic Rally (RDA), which gained a majority in parliamentary elections on 20 December, are jockeying for a few choice positions in the new quasi-civilian government scheduled to be set up next month. There are rumors that some party leaders will attempt to deny the premiership to RDA President Gerard Ouedraogo. The situation is being muddled further by the military, which is pressing the RDA to

form a unity cabinet that would include members of the opposition parties.

Moreover, President Lamizana, who will retain the presidency for four more years, is disgruntled at having to deal with old-line politicians of the ilk he deposed five years ago. There is some question, however, whether these politicians will accept the leadership of younger RDA members more acceptable to Lamizana. [REDACTED]

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India: Early Elections

The national parliamentary elections announced by Prime Minister Gandhi on 27 December are expected to take place in about two months.

India's chief election commissioner reportedly has stated that the polling is to begin on 28 February or 1 March and probably will be spread over several days. Holding the elections in early March will enable the new parliament to approve a budget before the current one expires on 31 March.

Mrs. Gandhi reportedly decided in favor of early elections after being advised by senior officials of her Ruling Congress Party that the party could win as many as 300 of the 523 seats in the lower house of parliament. Although she may not expect to achieve that high a total, she does hope to improve her parliamentary position—her party held 225 seats in the just-dissolved lower house—and possibly to obtain an absolute majority. Her current nationwide popularity and the danger

that it could decline if the economic situation worsened in 1971 were major factors in her decision.

Mrs. Gandhi was also influenced by the prospect that the major opposition parties might succeed in their efforts to work out a "grand alliance" during the coming year. An indication of a possible trend toward more opposition collaboration, at least on the state level, was the installation last week of a coalition government opposed to the Ruling Congress in the state of Bihar. The new government replaced a Ruling Congress-led coalition that had fallen on 18 December. A similar opposition coalition was installed in the state of Uttar Pradesh in October. Thus Mrs. Gandhi faces the elections with opposition coalitions presently in control of India's two most populous states, which together account for over one fourth of the seats in the lower house.

PARTY POSITIONS IN THE JUST-DISSOLVED LOWER HOUSE		
	Ruling Congress Party	225
Frequent supporters of prime minister	Dravida Munnetra Kazhagam (South Indian regional party)	24
	Communist Party of India	24
Opposition's core of support	Organization Congress Party	63
	Swatantra Party	35
	Jana Sangh Party	33
Others	Communist Party of India/Marxist	19
	Samyukta Socialist Party	17
	Praja Socialist Party	15
	United Independent Group	25
	Unattached Independents	30
	Indian Revolutionary Party (BKD)	10
	Vacancies	2
	Nonpartisan speaker	1
	Total membership	523

In the election campaign Mrs. Gandhi can be expected to emphasize her devotion to "progressive" measures at home and to India's traditional nonalignment policy abroad. The right-of-center opposition, which could usually marshal roughly 130 votes in the last parliament, can be expected to accuse her of demonstrating dictatorial tendencies and excessive friendliness toward the Soviet Union. On the left, however, the pro-Soviet Communist Party of India—the most moderate of India's three Communist parties and a frequent supporter of Mrs. Gandhi in parliament during the past year—is interested in arranging some kind of campaign collaboration with her party.

In addition, talks on possible cooperation took place about a month ago between leaders of the Ruling Congress and the more moderate of India's two Socialist parties, the Praja Socialists.

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WESTERN HEMISPHERE

Bolivia: "Revolutionary" Moves May Be in the Offing

The government may be planning several moves to improve its tarnished revolutionary image and increase its now-grudging support from leftist groups. The US Embassy has received information that the regime is considering the nationalization of three US-owned companies—South American Placers and Matilde Mines, which operate mining concessions; and the Bolivian properties of W. R. Grace Company, which has mining and other industrial operations. A major La Paz daily, which is managed by three government-named supervisors, has recently made strong attacks on South American Placers.

Although some government action may be contemplated, it is not clear what form it would take. Jose Ortiz, minister of state and a leading leftist in the cabinet, refused a proposal from Grace that the government buy its cement plant. Nationalization is necessary, he said, to obtain a greater political impact. Ortiz admitted, however, that it is necessary to avoid problems with the US Government over an investment guarantee, and said that an agreement on nationalization would have to be reached by both governments and the company concerned. In early December, the

minister of labor publicly discussed a possible revision of the government contract with Matilde.

In his almost three months in power, Torres has acted on some leftist demands, most recently by granting a general amnesty for political prisoners and freeing French Marxist Jules Regis Debray and five other persons who were involved in Che Guevara's 1967 guerrilla campaign. In addition, the government has restored miners' salaries to their 1965 level and opened diplomatic relations with another Communist country, Bulgaria.

Despite these moves, Torres does not have significant leftist support, partly because he has not made any move that compares to the nationalization of the Bolivian Gulf Oil Company by former President Ovando. Although Torres has acted cautiously to date, he may believe

it necessary for him to improve his standing with the left. Strong action against US firms would help him gain some of that support. At the same time, however, it might backfire and touch off a military attempt to seize control of the government.

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New Venezuelan Tax Laws Make Investment Climate Uncertain

Although the recent nationalistic legislation passed by the Venezuelan Congress has the approval of most sectors of the population, it has dampened the investment climate and has already produced the suspension of several investment projects. The legislation was steamrolled through Congress by the opposition Democratic Action Party (AD) to build up its political capital for the 1973 elections and to retaliate against the

oil companies for alleged offenses. Because of the popularity of the measures, the government made only half-hearted efforts to tone them down.

Two laws hastily pushed through Congress this month have retroactively increased taxes on petroleum and mining companies and reduced the amount of foreign equity in banks. The amendment to the tax law increases the tax on

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petroleum company profits from 52 to 60 percent, makes the new rate applicable to 1970, and gives the Venezuelan Government the right unilaterally to set the reference prices for future tax purposes. The legislation has abrogated the government's agreement with the oil companies to negotiate changes in the reference prices. The banking law reduces the maximum permissible foreign equity in banks to 20 percent; any banks with foreign-owned shares in excess of this percentage must sell the surplus to Venezuelans or submit to severe restrictions on their operations.

The new legislation is popular because it reflects the nationalistic mood of the country. In addition, it removes the specter of a broadened tax base—only 130,000 Venezuelans now pay income taxes—and higher taxes on the wealthy.

Foreign investors, who view the increased taxes on extractive industries as confiscatory, have already begun to react. At least four US companies have already shelved investment because of the uncertainty the laws create about the security of foreign investment in the new atmosphere of economic nationalism. [REDACTED]

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BRAZIL: The negotiations between the government and the abductors of Swiss Ambassador Bucher have reached an impasse. The authorities have said they are willing to release most of the 70 prisoners that the Popular Revolutionary Vanguard terrorists want freed, but they have steadfastly refused to liberate 13 who have been charged with serious crimes or have been sentenced to long prison terms. On Saturday, the administration asked the kidnapers to substitute other prisoners for the 13 but so far there has been no response to its offer. The government

now claims that seven of the prisoners it is prepared to release do not want to leave. Although this is a tactic to stall the terrorists, the government's claim may well be true because many on the list are facing only light sentences or are yet to be tried, and they would rather take their chances in Brazil than face the permanent exile that will be the fate of those eventually exchanged for the ambassador. The authorities now fear Bucher's abductors might attempt additional kidnappings to strengthen their bargaining hand. [REDACTED]

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Chile: *Roundup*

Rural Unrest

The government is attempting to capitalize on a landowners' attack against peasants who are illegally occupying a farm by blaming rightist "sedition" for the recent rural unrest. On 24 December a farmer vigilante group drove peasants, mostly Indians, off a farm, wounding three. Although the Allende administration has stated that it will move against both the illegal seizures and the vigilante actions, so far it has limited

itself to arresting 13 landowners involved in the shooting, and searching for arms allegedly stockpiled by the farmers. Allende has thus managed to turn a potentially embarrassing situation into an asset for furthering the revolutionary process in the countryside.

Economic Controls

Recent statements by high economic officials on price controls for wheat, bread, eggs,

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and chickens indicate that the government's price-control policy is aimed at squeezing the middleman. The administration hopes to raise producer prices while maintaining a stable price level for the consumer. This trend is consistent with the government's intention to assume an increasing role in the distribution system. The policy implies the need for the detailed inspection of retail markets to minimize black-market operations. It is in this phase of price controls that previous governments have run into some of their most difficult problems.

Politics

The Socialist Party has designated Adonis Sepulveda, its deputy secretary general, to run in the by-election for the Senate seat that was held

by President Allende. The election will take place on 4 April, the same day as the nationwide municipal elections. Sepulveda is a member of the Socialist hard-line faction that in the past has opposed both the Communists and Allende, advocating armed struggle as the most efficacious road to power. His selection is a slap at the Communists, who have been asserting increasing influence in the government, and may indicate a setback within the party for Secretary General Aniceto Rodriguez.

On 24 December the Chilean Foreign Ministry announced the granting of agreement for the Cuban ambassador to Chile and the receipt of agreement for the Chilean ambassador to Havana. The dates for assumption of office have not been announced.

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